

B.C. housing market on 'downward trajectory'

Sales and starts plummet in weak market as global recession takes its toll

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British Columbia's housing market has plunged into its worst recession in a quarter century and is not expected to begin to recover until 2010, according to Central 1 Credit Union's B.C. region.

Its 2008-2010 market forecast anticipates the number of housing sales to drop 30 per cent this year and 18 per cent in 2009.

"The current housing cycle is past its peak and is in a contraction or recession phase,"

It said "external forces" will keep housing sales on a "downward trajectory" -- and that prices are dropping as well.

"A decline in consumer confidence, tight credit, and weakening economic performance is accelerating the sales decrease that began in September 2007," the forecast said. "There is little on the horizon to stop this downward momentum in the next three to six months.

"Market conditions have not been this weak since the late 1990s and are consistent with a housing recession and falling prices."

Sales are already off 40 per cent since they began to cool in September 2007, and are "heading for 60 per cent" by the end of the year.

That would represent "the steepest decline since the 1981-82 recession."

"Lower mortgage rates, and an improved economy will see housing sales turn upward in 2010," Central 1 Credit Union said, suggesting sales will rebound 13 per cent that year -- but only if the global financial crisis is resolved.

Meanwhile, the forecast said housing prices and housing starts are likely to follow the downward trend.

The housing price index for the Lower Mainland is down five per cent from its February peak, and the rate of decline is accelerating.

Central 1 Credit Union predicted the median sales price for a B.C. home to drop 13 per cent in 2009, to \$310,000 from \$358,000 this year -- and it expects a further five-per-cent drop in 2010.

Housing starts are projected to "take a large drop" in 2009, falling 37 per cent from 37,100 units this year to 23,500 in 2009.

"This reflects the weak sales market and tighter credit conditions for construction loans. Financing is a growing concern for some projects currently underway."

Most of the drop will take place in the multi-unit sector, which is expected to drop 44 per cent next year compared to an 18-per-cent decline in single-family homes.

Central 1 Credit Union anticipates some easing in the rental accommodation market, where the vacancy rate is only 0.8 per cent in the private rental market.

That rate will climb 1.2 per cent next year, and another 1.4 per cent in 2010.

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